



CONNECTICUT GENERAL ASSEMBLY
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Testimony before Banking Committee

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Legislative Co-Chair

**Raised Bill No. 180. An Act Establishing the Interest Rate
for Certain Municipal Tax Liens**

The Connecticut Tax Collectors' Association is opposed to Raised Bill No. 180 which as written, would effectively end the extremely important tool of lien assignment on which municipalities, especially our largest cities depend for funding their budgets and restoring delinquent real property to productive use.

Tax collectors have no authority over tax policy, rates, or programs. They do not decide who is responsible to pay or how much. Instead, their function is purely ministerial: they collect taxes and other charges in the amounts and manner as they are directed by assessors and legislators. They are in the unique position of working on a daily basis with the laws which lay out the procedures by which municipal taxes and other types of assessments like sewer charges are paid, both voluntarily and as recovered through litigation, garnishments, and similar mechanisms. From that perspective, we periodically offer our experience and advice on proposed legislation which would impact the manner in which we carry out these functions and also affects the taxpayers and sewer users who are our constituents.

The proposed legislation arbitrarily cuts the interest rate on delinquent municipal tax liens once a municipality has assigned the lien to 12% from 18%. It should be noted that currently, interest does not compound, so “18%” is the interest rate off the base tax, but the liens already have a year, if not years, of interest accrued by the time of assignment and the effective interest rate is already significantly less than “18%”

The interest rate on back taxes serves to compensate municipalities for the loss that occurs when revenue is not paid in a timely manner. By lowering the interest rate, this bill would provide minimal relief to delinquent taxpayers at the expense of residents and businesses who pay their taxes on time. Municipalities (and municipal water/sewer providers) rely on timely payments to provide services for all citizens. Lowering the interest rate on delinquencies reduces municipal revenue and ultimately causes higher tax bills on taxpayers who struggle - but ultimately do - make timely tax payments to avoid interest.

By reducing interest on assigned liens, this legislation eviscerates the marketability of the towns’ tax liens and unfairly targets taxpayers in smaller towns that do not assign liens with a higher interest rate.

For towns that rely on tax lien assignments to make their annual municipal budget, the de-valuing of its tax liens as a negotiable instrument severely and negatively impacts local budgets. This legislation actually encourages towns and cities to be more aggressive in enforcing and collecting its tax liens quickly and will cause more homeowners to face foreclosures rather than reduce enforcement actions. Tax lien assignees, in general, do not purchase tax liens for the purpose of commencing foreclosure actions and generally offer longer payment plan terms with taxpayers than can be offered by the municipality. Lowering the interest rate also encourages assignees to commence **MORE not LESS** foreclosures.

An unintended consequence of this legislation retroactively impacts the tens of millions of dollars received by struggling communities such as Bridgeport, Danbury, Milford and West Haven from assignees over the past few years. A contractual warranty from the municipalities to its assignees is that the tax liens hold an 18% interest rate. This legislation breaches that warranty, and could allow each assignee to demand that the City re-purchase outstanding assigned liens upon passage of this bill. With dwindling state aid, our municipalities are not in the financial position to re-purchase these liens as they would be required to by contract.

Raised Bill 180, would make it harder for municipalities to fund their budgets and incentivize people to pay their taxes late. Please vote against this bill.